

Croatian Enterprise Promotion Activity

Quarterly Report #5

USAID Contract No: PCE-160-C-00-01-00108-0

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Progress from October 1 through December 31, 2002





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EXECUTIVE SUMMARY

The last quarter of 2002 was devoted primarily to 1) development and testing of the basic course offerings, which will be conducted under the Association of Management Consultants (AMC); and 2) launching of the AMC as the voluntary professional association of business consultants and principal provider of consultant training in Croatia. There is a very real sense that the AMC is now poised to transform itself from a start-up entity into a viable and useful provider of professional development services to the Croatian consulting industry.

In addition to the activities directly associated with these main focus areas, CEP also initiated activities in certification of quality management consultants, and in development of a program to provide practicum assignments for consultants having completed training workshops. As of the end of the quarter, the first practicum was underway with two recent graduates of the first commercial HACCP food safety course at a producer of fresh pasta.

1. REVIEW OF THIS QUARTER'S ACTIVITIES

1.1 Project Background

On September 28, 2001 Deloitte Touche Tohmatsu Emerging Markets, Ltd. (DTTEM) and the United States Agency for International Development (USAID), through its Regional Contracting Office (RCO), signed contract #160-C-00-01-00108-00 ("the Contract") for the implementation of the Croatian Enterprise Promotion Activity ("CEP" or "the Project").

The purpose of the CEP is to provide technical assistance aiming at removing constraints and market failures impeding the smooth and affordable provision of expert business consulting services and financial products to Croatia's small and medium enterprises (SMEs).

The CEP will support USAID/Croatia's Strategic Objective 1.3 - Growth of a Dynamic and Competitive Private Sector. The intermediate results include:

- IR 1.3.2 Strengthened Capacity of SMEs to Operate and Compete
- IR 1.3.2.1 Adoption of Improved Technologies
- IR 1.3.2.2 Increased Access to Financing
- IR 1.3.2.3 Strengthened Business Associations

This report summarizes our activities and overall progress for the fourth quarter, 2001. It is provided in accordance with Section F.4.d, Technical Reports, and Section G.5 Periodic Progress Reports of the Contract.

1.2 Overview

During the quarter, the CEP team achieved the following major results:

- Assisted the new Association of Management Consultants (AMC) to recruit its first members, resulting in 29 individual and 14 firm memberships by December 31, 2002;
- Completed the development of four new courses (SME Access to Finance, Introduction to ISO, Marketing and Market Research, Cost Analysis and Reduction), and conducted pilot workshops to test their effectiveness;
- Procured an ISO Lead Auditor course from a British provider of ISO training and certification;
- Negotiated and began the first HACCP enterprise practicum assignment, at a new manufacturing plant for fresh pasta located in Zagreb.

1.3 Work Completed and Underway

Work Completed This Quarter: During this quarter, the team focused primarily on developing training course materials and assisting the AMC to prepare for full functionality.

All but three of the initial core training programs have now been pilot tested, these include: HACCP Food Safety (3 days [and also run once commercially]), Introduction to ISO 9000 (3 days), Applied Marketing & Research (2 days), and Cost Analysis and Reduction (3 days), SME Access to Finance (2 days). CEP systematically obtains feedback from its course attendees and the initial comments have been particularly encouraging. It appears our efforts to build the workshops around tangible consulting tools (templates & software), as well as making them highly participative for attendees, is paying dividends by meeting participant expectations.

CEP management is also very pleased with the initial efforts and enthusiasm of the AMC's Presidency members (managing board), and believes it is the right team to launch the new association's activities. The fact that the AMC Presidency is comprised of one member each from three diverse and well established institutions (HUP, Economic Institute, and Deloitte) will go a long way to support its drive to sustainability.

Activities completed during the quarter include the following:

- Assisted AMC with establishment of membership recruitment and approval functions for the AMC, including participation in HUP-sponsored press conference to announce that AMC is taking membership applications;
- Completed pilot courses in SME Access to Finance (in coordination with the Banking Association), Marketing, Cost Reduction and An Introduction to ISO 9000 Quality Management;
- Negotiated and awarded a contract to an ISO provider to conduct an ISO Lead Auditor course in Croatia and grant a license to issue certifications.

Work Underway: The following tasks or activities were in progress during this quarter:

- The Consulting Excellence course was nearly complete by the end of the quarter, with completion and translation scheduled for the end of January, and pilot testing in February;
- The AMC web page was also nearly complete, with a target "go live" date of January 15, in time to advertise the Winter/Spring course offerings of the AMC;
- Professional design of AMC quarterly newsletter completion scheduled for January;
- Negotiations continued with the UK-based Chartered Institute of Environmental Health to certify the AMC HACCP Food Safety workshop materials.

1.4 Progress Against Benchmarks

We are making progress against major project benchmarks, as shown below:

Benchmark Per RFP	Progress
1.1 Establish an Advisory Group	Advisory group established –first meeting April 2002
1.2 Support Advisory Group	Ongoing – three regular meetings to date – members also participated in promotional functions for CEP and AMC
2.1 Provide information on all industry- specific associations in Croatia	Association Inventory Report submitted March 2002
2.2 Determine three to five associations for consulting services market development work	Listed in Association Inventory Report
2.3 Implement tailored program to assist selected associations	HUP being assisted via AMC support work
2.4 Repeat same work for at least additional three industry associations	We will also work with Meat Producers' Association and Wood Products association
2.5 Every six months present report on progress of each associations assistance activity	First report will be submitted January 2003
3.1 Identify feasible option for establishment of an independent SRO	SRO Feasibility Study completed March 2002

3.2 Help execute incorporation of the SRO	SRO incorporated August 2002; 43 members at Dec. 31, 2002
3.3 Help the SRO to produce detailed sets of standards and corresponding requirements for business consultants	In progress
3.4 Help SRO to complete the testing methodologies and certification procedures for business consultants in Croatia	In progress
4.1 Provide basic information on all providers of business consulting services	Consultant Inventory Report submitted January 2002
4.2 Design and initiate the implementation of market research for the SME sector	Survey of Enterprise Consulting Needs of 200 enterprises conducted April-May 2002
4.3.Deliver relevant reports on the market research work with recommendations	Consulting Needs report submitted July 2002 – includes recommendations for focus of training materials development based on research findings
4.4 Develop consulting packages, transfer knowledge on the packages to the Croatian business consulting industry and facilitate the commercialization of the consulting techniques and practices	Seven courses developed or acquired, five of which have been pilot tested and are under revision; one new course in beginning stage of development
5.1 Determine initial list of special studies including detailed plan for carrying out the first two such studies	Two studies conducted –1) Small Business Promotion Agency (March 2002) and 2) Mortgage Backed Securities (June 2002)
5.2 Determine need for feasibility or other studies related to inefficiencies in SME finance markets including detailed plan for carrying out such studies	Ongoing

1.5 Issues and Constraints

No outstanding issues to date that impede our ability to accomplish the tasks specified in the Contract.

In the course of design and implementation of the consultant training activities under the Contract, we have discovered that achievement of the overall objectives of CEP would be enhanced through expansion and intensification of the training and enterprise practicum programs to the less developed regions of Croatia. Practicum assignments provide a significant additional value in terms of preparing consultants who have received classroom training to undertake paid consulting assignments with enterprise clients.. Practicum assignments, however, were not originally planned or included in the Contract deliverables

and benchmarks, and accordingly, our ability to promote and supervise these assignments under the Contract is currently constrained by limited resources.

2. WORK PLAN FOR NEXT QUARTER

2.1 Interim Objectives and Plans for Achieving Them

Next quarter marks the beginning of a significant expansion in activities for the CEP / AMC partnership. While CEP will continue development of three more training courses, two of which will be piloted during the quarter, we will shift substantial effort to assist the AMC to become a full-fledged service provider. In January, a strategic planning specialist sourced from the U.S. is conducting an intensive two week planning session with the AMC Presidency Council. The output will be a strategic plan to guide the AMC in establishing an operating stance in such areas as service mix, membership recruitment activities and a system of member-run councils (committees). The plan will not only establish the strategic direction of the AMC, but also act as a tactical and action oriented tool to guide the membership in their initial activities. We also plan to step-up the promotion of workshops while working with the AMC to phase-in its role in conducting them.

To summarize, the major interim objectives for the next quarter include:

- Complete course development and conduct pilot seminars in Consulting Excellence and ISO Lead Auditor;
- Assist AMC to publicize and conduct commercial (fee-paid) workshops in five topics (HACCP, SME Finance, Cost Reduction, and Consulting Excellence);
- Develop new course on Human Resources;
- Develop and implement a train the trainers program to include all of the AMC courses;
- Assist AMC to develop strategy to achieve sustainability within the next two years.

2.2 Potential Problems and Needs for Assistance

At this stage, we foresee no major or unusual impediments to our ability to achieve the objectives outlined above during the next quarter.

2.3 Expected Staffing Requirements

In order to accomplish these tasks, during the next quarter we will require the following short-term assistance:

Task	Consultant	Timing
AMC Strategic Plan	Jeffry Baldwin	January

HAMAG Strategic Plan	Arvind Nande	January
	Jeffry Baldwin	
Consulting Excellence Course Development Pilot Workshop	Tina Turk	January/February
Human Resources Course Development	Jasmina Soskovic Aldo Setic	February/March

We anticipate that additional short-term consulting requirements will be identified during the quarter. We also plan to request our subcontractor IESC to field industry experts to assist with case development and practicums in the food and tourism industries.

3. BUDGET AND CONTRACT ADMINISTRATION

3.1 Project Expenditures and Remaining Budget

No major outstanding issues. Approximately 35 % of the total three-year budget has been expended through the end of the quarter.

3.2 Project Staffing this Quarter

In addition to the core full-time CEP team, the following individuals contributed to the project this quarter:

Consultant	Approximate LOE This Quarter
Barrie Evans (ISO/HACCP)	26 days
Zarko Bostovanovic (ISO)	2 days
Vera Pocar (ISO)	2 days
Peter Szabadhegy (Management, SME Finance)	6 days
Kresimir Kvaternik (SME Finance, also assisting the AMC)	1 day
Tina Turk (Consulting Skills)	5 days

3.3 Contract Administration

No significant modifications to the contract were requested or approved during this quarter.

4. CONCLUSION

Overall, the CEP team made substantial progress during this quarter. For example, we... completed and pilot tested most of the basic course offerings, devised a workable strategy for accomplishing the CEP Project's certification objectives in quality management, and helped launch the new Association of Management Consultants with a solid base of members and a core service offering that should continue to attract interest from consultants.

While we face the issue of developing relevant certification programs in the other business advisory service areas, we plan to rely on guidance from the AMC membership to devise an appropriate and feasible strategy for achieving this program element. Other challenges ahead include 1) promoting and delivering the workshop course offerings to consultants throughout Croatia, 2) developing and rolling out a modular practicum assignment program that will be replicable and sustainable under AMC management with reasonable administrative costs; 3) assisting in the further development of the AMC, including service offerings, and standing committees of members; and 4) promoting increased use of AMC-trained Croatian consultants by enterprises.

APPENDIX 1:

Summary of Workshop Participant Evaluations

Training Seminar in Cost Reduction – November 19-21, 2002 Report

A. Management Summary

TRAINING PARTICIPANTS STATISTICS

Number Certifi- cates Awarded	Part	icipant I	Backgro	und	_	cipant nder	Promotional Effectiveness (participants hearing of course from)						
	Consultant	Industry	Govern- ment			Female	press paid advert- isement	press article or story	mailing	other (indicate)			
11	45%	45%	0%	10%	45%	55%	0%	0%	36%	64%			

2. COURSE EVALUATION

Prior knowledge of topics:

82% of the attendees have had experience in the topic

Knowledge improvement by this training:

91% of all attendees said that they improved their knowledge significantly Usefulness of materials in future implementation:

73% of all attendees said that they expect to use the workshop materials further Participant self-evaluation of their involvement in training:

All attendees are satisfied with their own engagement in the workshop

3. MAIN LESSONS LEARNED

- Participants felt we do not need so detailed information on metal and wood industry in particular, though these were just to provide real examples.
- Despite the heavy emphasis on group exercises, the group had an appetite for even more, if we can work in some shorter ones.
- They would prefer more time devoted to cost allocations techniques rather than to the definitions.
- Make sure examples are always oriented to Croatian circumstances.

4. ACTIONS STEPS

- Revise course to include more (brief) class exercises
- Reduce length of restructuring strategy presentation
- Eliminate two-stage cost allocation class exercise and move to handout section
- Reorganize indirect cost allocation module for improved flow, and add brief module on cost drivers
- Add instructor notes for all presentations and exercises

Croatian Enterprise Promotion ActivityA project funded by USAID and administered by Deloitte Touche Tohmatsu Emerging Markets

B. Course Statistics

1. PARTICIPANT EVALUATION OF TRAINERS (max 5)

Trainers									Trainer 5		
code	Trainer	1	Trainer	2	Trainer	3	Trainer 4				
	Efficien	Mat. qual	Efficien	Mat. qual	Efficien	Mat. qual	Efficien	Mat. qual	Efficien	Mat. qual	
	4,91	4,55	4,36	4,45	4,55	4,55	4,73	4,73	4,00	4,27	
Overall										4,51	

1. PARTICIPANT EVALUATION OF COURSE LOGISTICS

													Total	Average
Presentations & Handbooks	5	5	4	5	5	5	5	4	5	5	5		53	4,82
Team work	5	5	4	5	5	5	4	5	5	4	5		52	4,73
Translation sim.														
Timing of seminar	5	5	4	5	5	5	4	4	4	5	5		51	4,64
Video mater.														
Room	5	5	4	5	5	5	5	4	5	5	5		53	4,82
Refreshments	5	5	4	5	5	5	5	5	5	4	5		53	4,82
Personnel	5	5	5	5	5	5	5	5	5	5	5		55	5,00

^{* 11} evaluation forms

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Pilot Training Seminar in ISO Intro – October 2-4, 2002 Report

A. Management Summary

1.TRAINING PARTICIPANTS STATISTICS

Number Certifi- cates Awarded	Part	ticipant I	3ackgroi	und		cipant nder	Promotional Effectiveness (participants hearing of course from)						
	Consultant	Industry	Govern- ment	Education / Other	Male	Female	press paid adverti- sement	press article or story	mailing	other (indicate)			
11	55%	36%	9%	0%	73%	27%	0%	0%	27%	73%			

2. COURSE EVALUATION

Prior knowledge of topics:

55% of the attendees have had no experience in topics

Knowledge improvement by this training:

73% of all attendees said that they improved their knowledge significantly Usefulness of materials in future implementation:

82% of all attendees said that they expect to use the workshop materials further Participant self-evaluation of their involvement in training:

All attendees are satisfied with their own engagement in the workshop

3. MAIN LESSONS LEARNED

- Need to provide simple reference guide for major differences between the 1994 and 2000 standards
- The course by its nature covers a lot of ground, need to clearly explain that participants are introduced to many themes and must also undertake self-study
- Some reduction in materials, particularly in the overview would leave more time for key concepts
- Participants enjoy doing the exercises, consider more of them and more focused
- Translation adjustments on some technical terms are required

4. ACTIONS STEPS

- Rework exercises to eliminate excess materials and base on single case
- Organize staff and participant comments on materials, make necessary adjustments, review and eliminate overlap, clean up materials & translation
- Have at least 3 facilitators in room during exercises to assist groups to complete them properly
- All materials should have a tab (subfolder) for blank templates, checklists & software

B. Course Statistics

Course statistics tables attached!

Croatian Enterprise Promotion ActivityA project funded by USAID and administered by Deloitte Touche Tohmatsu Emerging Markets

B. Course Statistics

1. PARTICIPANT EVALUATION OF TRAINERS (max 5)

Trainers code	Train	er 1	Trair	ner 2	Trair	ner 3	Trainer 4		
	Efficiency Materials		Efficiency	Materials	Efficiency	Materials	Efficiency	Materials	
	4.60	4.11	4.30	4.00	4.00	3.78			
Overall								4.13	

2. PARTICIPANT EVALUATION OF COURSE LOGISTICS

														Total*	Average
Presentations	4	4	4	4	4	4	4	4	,	•	_			4.4	4.00
& Handbooks	4	4	4	4	4	4	4	4	4	3	5			44	4.00
Team work	2	1	4	5	3	5	2	5	5	4	3			39	3.55
Translation sim.	0	4	4	5	0	5	5	5	5	3	5			41	3.73
Timing of seminar	4	4	3	3	4	5	4	5	3	5	4			44	4.00
Video mater.	4	5	4	4	3	3	3	5	2	4	5			42	3.82
Room	5	5	5	5	2	5	5	5	4	3	5			49	4.45
Refreshments	0	4	5	5	5	5	5	5	5	5	5			49	4.45
Personnel	5	5	5	5	5	5	5	5	5	5	5			55	5.00

^{* 11} Evaluation forms

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Pilot Training Seminar in Marketing Techniques – October 16-17, 2002 Report

A. Management Summary

1.TRAINING PARTICIPANTS STATISTICS

Number Certifi- cates Awarded	Participant		3ackgro	und		cipant nder	Promotional Effectiveness (participants hearing of course from)					
	Consultant	Industry	Govern- ment	Education / Other	Male	Female	press paid adverti- sement	press article or story	mailing	other (indicate)		
12	42%	16%	42%	0%	67%	33%	0%	0%	42%	58%		

2. COURSE EVALUATION

Prior knowledge of topics:

100% of the attendees have had experience in this topic

Knowledge improvement by this training:

83% of all attendees said that they improved their knowledge significantly

Usefulness of materials in future implementation:

83% of all attendees said that they expect to use the workshop materials further Participant self-evaluation of their involvement in training:

All attendees are satisfied with their own engagement in the workshop

3. MAIN LESSONS LEARNED

- The exercises were at the appropriate level, but they need to be structured to be less reliant on the main facilitator and be more self-evident to participants
- The course covers a lot of material and we should consider a third day
- There is interest in the sources of materials, consider a systematic listing of resources
- It was very useful that we used facilitators and several project staff to assist the individual groups during class exercises
- Course was generally well received and we received congratulatory comments and emails afterward

4. ACTION STEPS

- Revise the course exercises to be less reliant on the facilitator, add more structure and increase content of trainer's notes
- Get staff and participants comments organized regarding the materials, make necessary translation adjustments / clean up materials & translation errors
- Consider 3 day course

B. Course Statistics

Course statistics tables attached!

Croatian Enterprise Promotion ActivityA project funded by USAID and administered by Deloitte Touche Tohmatsu Emerging Markets

B. Course Statistics

1. PARTICIPANT EVALUATION OF TRAINERS (max 5)

Trainers code	Train	er 1	Trair	ner 2	Trair	ner 3	
	Efficiency	Materials	Efficiency	Materials	Efficiency	Materials	
	4.83	4.75	4.73	4.82	3.55	4.42	
Overall							4.52

2. PARTICIPANT EVALUATION OF COURSE LOGISTICS

																		Total	Average
Presentations																			
& Handbooks	5	5	5	5	5	4	5	4	4	5	4	5						56	4.67
Team work	4	5	5	4	5	5	5	4	5	5	5	5						57	4.75
Translation																			
sim.		5	5	5	5	5	5	5	4	4		5						48	4.80
Timing of																			
seminar	4	5	5	5	5	3	5	4	4	5	4	5						54	4.50
Video mater.	-					_			-		-		_	1	-	-	ı		
Room	4	5	5	4	5	5	5	5	5	5	5	5						58	4.83
Refreshments	5	5	5	4	5	5	5	5	5	5	4	5						59	4.83
Personnel	5	5	5	5	5	5	5	5	5	5	4	5						60	4.92

Pilot Training Seminar in SME Access to Finance – October 1-2, 2002 Report

A. Management Summary

1.TRAINING PARTICIPANTS STATISTICS

Number Certifi- cates Awarded	Part	icipant I	Backgro	und	_	cipant nder	Promotional Effectiveness (participants hearing of course from)						
Awarueu	Consultant	Industry	Govern- ment	Education / Other	Male	Female	Press paid adverti- sement	press article or story	mailing	other			
18	50%	38%	6%	6%	56%	44%	0%	0%	44%	56%			

2. COURSE EVALUATION

Prior knowledge of topics:

88% of the attendees have had experience in the topic

Knowledge improvement by this training:

71% of all attendees said that they improved their knowledge significantly Usefulness of materials in future implementation:

53% of all attendees said that they expect to use the workshop materials further Participant self-evaluation of their involvement in training:

All attendees are satisfied with their own engagement in the workshop

3. MAIN LESSONS LEARNED

- Examples must be carefully worded to reinforce their applicability to Croatia using Croatian named companies, for instance Gavrilovic, Podravka, etc.
- Highly technical terms require extra care in translation to ensure the correct meaning is conveyed.
- Provide parallel terms used between Business Planning in this case and the terms used in Croatian Statutory documents / Balance sheets; this created some confusion
- Different seminar timing suggestions were made and should be considered

4. ACTIONS STEPS

- Make necessary translation adjustments according the notes taken by our staff during the seminar
- Brief all future facilitators to not assume audience understanding of western financial technical terms.
- Need to look into ways to harmonize ratios & balance sheet structure taught with IAS underway in
- We'll monitor the seminar session timing proposals. It may be advisable to alter the schedule according to participant wishes, but decision will be made in conjunction with AMC

B. Course Statistics

Course statistics tables attached!

Croatian Enterprise Promotion Activity

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B. Course Statistics

1. PARTICIPANT EVALUATION OF TRAINERS (max 5)

Trainers code	Train	er 1	Trair	ner 2	Trair	ner 3	
	Efficiency Mater		Efficiency	Materials	Efficiency	Materials	
	4.88	4.75	4.31	4.53	4.43	4.64	
Overall							4.59

2. PARTICIPANT EVALUATION OF COURSE LOGISTICS

																		Total*	Average
Presentations & Handbooks	5	5	5	5	4	5	5	5	5	4	4	5	4	5	5	5	5	81	4.76
Team work	4	4	4	5	4	4	5	5	5	5	5	5	3	5	5	5	5	78	4.59
Translation sim.																			
Timing of seminar	1	4	5	5	3	5	3	5	5	5	5	5	3	1	5	4	4	68	4.00
Video mater.																			
Room	3	5	5	5	3	5	5	5	5	5	5	5	2	5	5	5	4	77	4.53
Refreshments	3	5	4	5	4	5	5	5	5	4	5	5	5	2	5	5	3	75	4.41
Personnel	5	5	5	5	4	5	5	5	5	5	5	5	4	4	5	5	4	81	4.76

^{* 17} evaluation forms